

UNIFIED SCHOOL DISTRICT #246
Arma, Kansas

Statutory Basis Financial Statements and
Independent Auditors' Reports
With Federal Compliance Section

For the Fiscal Year Ended June 30, 2010

UNIFIED SCHOOL DISTRICT #246
Arma, Kansas

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
FINANCIAL SECTION	
Independent Auditors' Report	1 - 2
Statement 1	
Summary of Cash Receipts, Expenditures, and Unencumbered Cash.....	3 - 4
Statement 2	
Summary of Expenditures - Actual and Budget	5
Statement 3	
Statement of Cash Receipts and Expenditures - Actual and Budget	
General Fund	6 - 7
Supplemental General Fund	8
4 Year Old At-Risk Fund	9
K-12 At-Risk Fund.....	10
Capital Outlay Fund	11
Driver Training Fund	12
Food Service Fund	13
Professional Development Fund	14
Special Education Fund.....	15
Vocational Education Fund	16
KPERS Special Retirement Contributions Fund	17
Contingency Reserve Fund	18
Textbook and Student Material Fund	19
Rural and Small School Grant Fund	20
Lowes Education Grant Fund	21
Title I ARRA Fund.....	22
Title I Fund	23
Title II - Improving Teacher Quality Fund.....	24
Title II - Technology Literacy Challenge Fund	25
Project Care Fund.....	26
Bond and Interest Fund.....	27
Statement 4	
Statement of Cash Receipts and Cash Disbursements	
Agency Funds.....	28 - 29
Statement 5	
Summary of Cash Receipts, Expenditures, and Unencumbered Cash	
District Activity Funds	30
Notes to the Financial Statements	31 - 39

UNIFIED SCHOOL DISTRICT #246
Arma, Kansas

TABLE OF CONTENTS
(Continued)

	<u>PAGE NUMBER</u>
FEDERAL COMPLIANCE SECTION	
Schedule of Expenditures of Federal Awards	40
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	41 - 42
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	43 - 44
Schedule of Findings and Questioned Costs	45 - 46
Summary Schedule of Prior Audit Findings	47

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Education
Unified School District #246
Arma, Kansas

We have audited the accompanying financial statements of the Unified School District #246, Arma, Kansas, as of and for the fiscal year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of Unified School District #246's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's June 30, 2009 financial statements and, in our report dated October 12, 2009, we expressed an unqualified opinion on the financial statements of the Unified School District #246, prepared in accordance with the statutory basis of accounting.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the guidance in the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Unified School District #246, Arma, Kansas, as of June 30, 2010, the changes in its financial position, or where applicable, its cash flows for the fiscal year then ended.

Board of Education
Unified School District #246
Arma, Kansas

Also, in our opinion, except for the July 2010 receipt of the final state aid payment for the fiscal year ended June 30, 2010, being recorded in June 2010, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the District, as of June 30, 2010, and its cash receipts and expenditures, and budget to actual comparisons for the fiscal year then ended, taken as a whole, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 29, 2010, on our consideration of the Unified School District #246's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

December 29, 2010
Chanute, Kansas

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

Statement 1

Summary of Cash Receipts, Expenditures, and Unencumbered Cash For the Fiscal Year Ended June 30, 2010

Funds	Beginning Unencumbered Cash Balances	Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balances	Plus Encumbrances and Accounts Payable	Ending Cash Balances June 30,	
							2010	2009
GOVERNMENTAL TYPE FUNDS								
General Fund	\$ -	\$ -	\$ 4,564,813.81	\$ 4,564,813.59	\$ 0.22	\$ 431,599.72	\$ 431,599.94	\$ 455,443.18
Supplemental General	15,146.42	-	1,333,606.34	1,340,000.00	8,752.76	370,335.28	379,088.04	106,529.15
Special Revenue Funds								
4 Yr Old At-Risk	-	-	33,589.00	33,589.00	-	-	-	-
K-12 At-Risk	640.84	-	753,100.00	752,715.70	1,025.14	-	1,025.14	640.84
Capital Outlay	344,940.53	-	63,281.64	26,771.83	381,450.34	-	381,450.34	349,104.30
Driver Training	17,699.06	-	-	-	17,699.06	-	17,699.06	17,699.06
Food Service	163,038.09	-	424,158.85	427,598.65	159,598.29	4,000.00	163,598.29	163,038.09
Professional Development	36,912.70	-	20,000.00	20,902.30	36,010.40	154.76	36,165.16	36,912.70
Special Education	246,488.63	-	633,997.39	610,817.02	269,669.00	-	269,669.00	331,761.63
Vocational Education	887.67	-	144,172.39	144,976.69	83.37	18,300.00	18,383.37	24,416.11
KPERS Special Retirement Contributions	-	-	268,556.32	268,556.32	-	-	-	-
Contingency Reserve	225,259.14	-	131,790.73	-	357,049.87	-	357,049.87	225,259.14
Textbook and Student Material	-	-	5,953.92	-	5,953.92	-	5,953.92	-
Rural & Small School Grant	-	-	9,167.01	9,167.01	-	-	-	4,085.77
Lowe's Education Grant	46.32	-	-	46.32	-	-	-	4,721.32
Title I ARRA	-	-	54,275.00	54,275.00	-	7,151.99	7,151.99	-
Title I	12,397.07	-	186,966.00	188,385.66	10,977.41	21,503.96	32,481.37	33,697.07
Title II - Improving Teacher Quality	-	-	45,590.00	45,590.00	-	7,766.79	7,766.79	-
Title II - Technology Literacy Challenge	-	-	1,797.00	1,797.00	-	1,797.00	1,797.00	-
Project Care	6,322.82	-	14,642.08	12,464.16	8,500.74	-	8,500.74	6,322.82

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Atma, Kansas

Statement 1

Summary of Cash Receipts, Expenditures, and Unencumbered Cash For the Fiscal Year Ended June 30, 2010

Funds	Beginning Unencumbered Cash Balances	Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balances	Plus Encumbrances and Accounts Payable	Ending Cash Balances June 30, 2010	2009
Special Revenue Funds (Continued)								
Gate Receipts	\$ 9,680.69	\$ -	\$ 22,452.80	\$ 24,875.75	\$ 7,257.74	\$ 728.15	\$ 7,985.89	\$ 9,933.69
Special Projects	108.24	-	6,090.00	6,198.24	-	-	-	108.24
Debt Service Fund								
Bond and Interest	480,738.11	-	348,872.32	346,902.50	482,707.93	-	482,707.93	480,738.11
Total Reporting Entity	\$ 1,560,306.33	\$ -	\$ 9,066,872.60	\$ 8,880,442.74	\$ 1,746,736.19	\$ 863,337.65	\$ 2,610,073.84	\$ 2,250,411.22
Composition of Cash								
General Checking Account.....							\$ 2,199,087.95	\$ 2,037,369.29
District Petty Cash Checking Accounts.....							3,000.00	3,000.00
Certificate of Deposit.....							400,000.00	200,000.00
Activity Checking Accounts.....							53,796.23	56,507.02
Total Cash							2,655,884.18	2,296,876.31
Less Agency Funds per Statement 4							(45,810.34)	(46,465.09)
Total Reporting Entity.....							\$ 2,610,073.84	\$ 2,250,411.22

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

(Budgeted Funds Only)

Summary of Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2010

Funds	Certified Budget	Adjustments to		Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures		Variance - Over (Under)
		Comply with Legal Maximum	Legal Maximum			Charged to Current Year Budget	Charged to Current Year Budget	
GOVERNMENTAL TYPE FUNDS								
General Fund	\$ 4,684,511.00	\$ (140,540.00)	\$	20,842.59	\$ 4,564,813.59	\$ 4,564,813.59	\$	-
Supplemental General	1,340,000.00	-	-	-	1,340,000.00	1,340,000.00		-
Special Revenue Funds								
4 Yr. Old At-Risk	40,000.00	-	-	-	40,000.00	33,589.00		(6,411.00)
K-12 At-Risk	725,000.00	-	-	-	725,000.00	752,715.70		27,715.70
Capital Outlay	400,000.00	-	-	-	400,000.00	26,771.83		(373,228.17)
Driver Training	13,475.00	-	-	-	13,475.00	-		(13,475.00)
Food Service	500,000.00	-	-	-	500,000.00	427,598.65		(72,401.35)
Professional Development	43,200.00	-	-	-	43,200.00	20,902.30		(22,297.70)
Special Education	818,000.00	-	-	-	818,000.00	610,817.02		(207,182.98)
Vocational Education	183,500.00	-	-	-	183,500.00	144,976.69		(38,523.31)
KPERS Special Retirement Contributions	361,120.00	-	-	-	361,120.00	268,556.32		(92,563.68)
Debt Service Fund								
Bond and Interest	347,003.00	-	-	-	347,003.00	346,902.50		(100.50)

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

GENERAL FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Amounts for the Year Ended June 30, 2009)

		Current Year		Variance -
	Prior Year Actual	Actual	Budget	Over (Under)
Cash Receipts				
Local Sources				
Ad Valorem Tax	\$ 244,394.23	\$ 239,618.87	\$ 227,069.00	\$ 12,549.87
Delinquent Tax	8,302.93	9,232.35	7,223.00	2,009.35
County Sources				
Machinery and Equipment Aid	1,495.39	-	-	-
State Sources				
General State Aid	4,106,611.00	3,638,457.00	3,765,313.00	(126,856.00)
Special Education Aid	520,996.00	439,949.00	468,192.00	(28,243.00)
Federal Sources				
ARRA Stabilization Aid	-	216,714.00	216,714.00	-
Other Revenues				
Reimbursed Expenses	7,680.92	20,842.59	-	20,842.59
Total Cash Receipts	4,889,480.47	4,564,813.81	\$ 4,684,511.00	\$ (119,697.19)
Expenditures				
Instruction	1,989,137.85	1,596,640.82	\$ 2,265,000.00	\$ (668,359.18)
Support Services				
Student Support	203,949.22	146,918.41	235,250.00	(88,331.59)
Instructional Support	222,987.17	207,090.68	251,750.00	(44,659.32)
General Administration	330,545.84	299,919.68	358,500.00	(58,580.32)
School Administration	458,942.06	426,617.26	506,261.00	(79,643.74)
Operations and Maintenance	300,292.76	319,239.08	356,300.00	(37,060.92)
Vehicle Operating Services	164,403.45	135,064.20	211,450.00	(76,385.80)
Operating Transfers to :				
K-12 At-Risk Fund	694,960.00	750,000.00	-	750,000.00

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

GENERAL FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Amounts for the Year Ended June 30, 2009)

			Current Year		
	Prior Year Actual		Actual	Budget	Variance - Over (Under)
Expenditures (Continued)					
Operating Transfers to : (Continued)					
Special Education Fund	\$ 246,800.00	\$	551,532.73	\$ 500,000.00	\$ 51,532.73
Contingency Reserve	139,500.00		131,790.73	-	131,790.73
Capital Outlay	137,962.12		-	-	-
Total Certified Budget				4,684,511.00	(119,697.41)
Adjustments to Budget					
Adjustment to Comply with Legal Maximum Budget				(140,540.00)	140,540.00
Adjustment for Qualifying Budget Credits				20,842.59	(20,842.59)
Total Expenditures	4,889,480.47		4,564,813.59	\$ 4,564,813.59	\$ 0.00
Receipts Over (Under) Expenditures	-		0.22		
Unencumbered Cash, Beginning	-		-		
Unencumbered Cash, Ending	\$ -	\$	0.22		

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

SUPPLEMENTAL GENERAL FUND

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2010

(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Ad Valorem Tax	\$ 295,376.92	\$ 376,598.83	\$ 27,649.00	\$ 348,949.83
Delinquent Tax	12,466.74	14,118.11	8,810.00	5,308.11
County Sources				
Motor Vehicle Tax	90,840.06	83,890.69	91,637.00	(7,746.31)
Recreational Vehicle Tax	1,146.72	855.21	634.00	221.21
16 & 20 M Truck	3,002.60	2,995.50	-	2,995.50
Machinery and Equipment Aid	1,393.63	-	-	-
State Sources				
Supplemental State Aid	929,995.00	638,285.00	859,637.00	(221,352.00)
Federal Sources				
ARRA Stabilization Aid	-	216,863.00	-	216,863.00
Total Cash Receipts	1,334,221.67	1,333,606.34	\$ 988,367.00	\$ 128,376.34
Expenditures				
Instruction	101,461.08	269,764.73	\$ 87,500.00	\$ 182,264.73
Support Services				
Student Support	-	4,781.67	-	4,781.67
Instructional Support	96,996.98	83,875.85	-	83,875.85
General Administration	-	12,916.67	-	12,916.67
School Administration	-	31,467.96	-	31,467.96
Operations and Maintenance	199,311.43	567,938.92	-	567,938.92
Operating Transfers to :				
Food Service Fund	141,966.51	88,000.00	110,000.00	(22,000.00)
Professional Development	33,300.00	20,000.00	7,500.00	12,500.00
Special Education Fund	557,310.00	82,464.66	200,000.00	(117,535.34)
Vocational Education Fund	170,420.00	142,100.54	170,000.00	(27,899.46)
4 Year Old At-Risk Fund	36,971.00	33,589.00	40,000.00	(6,411.00)
K-12 At-Risk Fund	-	3,100.00	725,000.00	(721,900.00)
Total Expenditures	1,337,737.00	1,340,000.00	\$ 1,340,000.00	\$ -
Receipts Over (Under) Expenditures	(3,515.33)	(6,393.66)		
Unencumbered Cash, Beginning	18,661.75	15,146.42		
Unencumbered Cash, Ending	\$ 15,146.42	\$ 8,752.76		

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

4 YEAR OLD AT-RISK FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Operating Transfers from:				
Supplemental General Fund	\$ 36,971.00	\$ 33,589.00	\$ 40,000.00	\$ (6,411.00)
Total Cash Receipts	36,971.00	33,589.00	\$ 40,000.00	\$ (6,411.00)
Expenditures				
Instruction	36,971.00	33,589.00	\$ 40,000.00	\$ (6,411.00)
Total Expenditures	36,971.00	33,589.00	\$ 40,000.00	\$ (6,411.00)
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	\$ -	\$ -		

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

K-12 AT-RISK FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Fiscal Year Ended June 30, 2010
 (With Comparative Actual Amounts for the Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Operating Transfers from:				
General Fund	\$ 694,960.00	\$ 750,000.00	\$ -	\$ 750,000.00
Supplemental General Fund	-	3,100.00	725,000.00	(721,900.00)
Total Cash Receipts	694,960.00	753,100.00	\$ 725,000.00	\$ 28,100.00
Expenditures				
Instruction	694,319.16	752,715.70	\$ 725,000.00	\$ 27,715.70
Total Expenditures	694,319.16	752,715.70	\$ 725,000.00	\$ 27,715.70
Receipts Over (Under) Expenditures	640.84	384.30		
Unencumbered Cash, Beginning	-	640.84		
Unencumbered Cash, Ending	\$ 640.84	\$ 1,025.14		

The notes to the financial statements are
 an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

CAPITAL OUTLAY FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Amounts for the Year Ended June 30, 2009)

		Current Year		Variance -
	Prior Year Actual	Actual	Budget	Over Under
Cash Receipts				
Local Sources				
Interest on Idle Funds	\$ 15,200.76	\$ 9,299.11	\$ 20,000.00	\$ (10,700.89)
Miscellaneous Revenue	69,472.16	53,982.53	80,000.00	(26,017.47)
County Sources				
16 & 20 M Truck	0.36	-	-	-
Operating Transfers from:				
General Fund	137,962.12	-	-	-
Total Cash Receipts	222,635.40	63,281.64	\$ 100,000.00	\$ (36,718.36)
Expenditures				
Instruction	1,861.94	-	\$ 25,000.00	\$ (25,000.00)
Support Services				
Student Support	-	-	25,000.00	(25,000.00)
School Administration	-	1,476.30	-	1,476.30
Operations and Maintenance	20,973.14	15,817.05	70,000.00	(54,182.95)
Facility Acquisition and				
Construction Services				
Site Improvement Services	173.83	-	-	-
New Building Acquisition and				
Construction	12,117.51	-	15,000.00	(15,000.00)
Building Improvements	13,869.37	9,478.48	265,000.00	(255,521.52)
Total Expenditures	48,995.79	26,771.83	\$ 400,000.00	\$ (373,228.17)
Receipts Over (Under) Expenditures	173,639.61	36,509.81		
Unencumbered Cash, Beginning	171,300.92	344,940.53		
Unencumbered Cash, Ending	\$ 344,940.53	\$ 381,450.34		

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

DRIVER TRAINING FUND

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2010

(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
State Sources				
State Aid	\$ 2,208.00	\$ -	\$ 1,000.00	\$ (1,000.00)
Total Cash Receipts	2,208.00	-	\$ 1,000.00	\$ (1,000.00)
Expenditures				
Instruction	6.00	-	\$ 13,475.00	\$ (13,475.00)
Support Services				
Vehicle Operating Services	440.11	-	-	-
Total Expenditures	446.11	-	\$ 13,475.00	\$ (13,475.00)
Receipts Over (Under) Expenditures	1,761.89	-		
Unencumbered Cash, Beginning	15,868.22	17,699.06		
Cancelled Encumbrances	68.95	-		
Unencumbered Cash, Ending	\$ 17,699.06	\$ 17,699.06		

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

FOOD SERVICE FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Food Service Sales	\$ 96,906.39	\$ 63,931.98	\$ 83,430.00	\$ (19,498.02)
Miscellaneous	1,721.70	3,407.88	20,000.00	(16,592.12)
State Sources				
Food Service Aid	3,341.49	3,438.12	3,407.00	31.12
Federal Sources				
Child Nutrition Aid	220,838.93	265,380.87	209,236.00	56,144.87
Operating Transfers from:				
Supplemental General Fund	141,966.51	88,000.00	110,000.00	(22,000.00)
Total Cash Receipts	464,775.02	424,158.85	\$ 426,073.00	\$ (1,914.15)
Expenditures				
Support Services				
Operations and Maintenance	16,788.82	13,550.54	\$ 23,000.00	\$ (9,449.46)
Operation of Non- Instructional Services				
Food Service Operations	414,184.22	414,048.11	477,000.00	(62,951.89)
Total Expenditures	430,973.04	427,598.65	\$ 500,000.00	\$ (72,401.35)
Receipts Over (Under) Expenditures	33,801.98	(3,439.80)		
Unencumbered Cash, Beginning	129,236.11	163,038.09		
Unencumbered Cash, Ending	\$ 163,038.09	\$ 159,598.29		

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

PROFESSIONAL DEVELOPMENT FUND

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2010

(With Comparative Actual Amounts for the Year Ended June 30, 2009)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
State Sources				
Professional Development Aid	\$ 5,290.00	\$ -	\$ -	\$ -
Operating Transfers from:				
Supplemental General Fund	33,300.00	20,000.00	7,500.00	12,500.00
Total Cash Receipts	38,590.00	20,000.00	\$ 7,500.00	\$ 12,500.00
Expenditures				
Support Services				
Instructional Support	41,313.81	20,902.30	\$ 43,200.00	\$ (22,297.70)
Total Expenditures	41,313.81	20,902.30	\$ 43,200.00	\$ (22,297.70)
Receipts Over (Under) Expenditures	(2,723.81)	(902.30)		
Unencumbered Cash, Beginning	39,636.51	36,912.70		
Unencumbered Cash, Ending	\$ 36,912.70	\$ 36,010.40		

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

SPECIAL EDUCATION FUND

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2010

(With Comparative Actual Amounts for the Year Ended June 30, 2009)

		Current Year			Variance -
	Prior Year Actual	Actual	Budget		Over (Under)
Cash Receipts					
Operating Transfers from:					
General Fund	\$ 246,800.00	\$ 551,532.73	\$ 500,000.00	\$ 51,532.73	
Supplemental General Fund	557,310.00	82,464.66	200,000.00	(117,535.34)	
Total Cash Receipts	804,110.00	633,997.39	\$ 700,000.00	\$ (66,002.61)	
Expenditures					
Instruction	597,137.75	522,069.00	\$ 562,500.00	\$ (40,431.00)	
Support Services					
Instructional Support	500.00	875.00	2,500.00	(1,625.00)	
Vehicle Operating Services	105,911.73	87,873.02	253,000.00	(165,126.98)	
Total Expenditures	703,549.48	610,817.02	\$ 818,000.00	\$ (207,182.98)	
Receipts Over (Under) Expenditures	100,560.52	23,180.37			
Unencumbered Cash, Beginning	145,678.11	246,488.63			
Cancelled Encumbrances	250.00	-			
Unencumbered Cash, Ending	\$ 246,488.63	\$ 269,669.00			

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

VOCATIONAL EDUCATION FUND

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2010

(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
Other Revenues				
Miscellaneous Revenue	\$ 4,990.82	\$ 2,071.85	\$ 15,000.00	\$ (12,928.15)
Operating Transfers from:				
Supplemental General Fund	170,420.00	142,100.54	170,000.00	(27,899.46)
Total Cash Receipts	175,410.82	144,172.39	\$ 185,000.00	\$ (40,827.61)
Expenditures				
Instruction	175,268.16	144,976.69	\$ 183,500.00	\$ (38,523.31)
Total Expenditures	175,268.16	144,976.69	\$ 183,500.00	\$ (38,523.31)
Receipts Over (Under) Expenditures	142.66	(804.30)		
Unencumbered Cash, Beginning	745.01	887.67		
Unencumbered Cash, Ending	\$ 887.67	\$ 83.37		

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

KPERS SPECIAL RETIREMENT CONTRIBUTIONS FUND

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Fiscal Year Ended June 30, 2010

(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Cash Receipts				
State Sources				
KPERS Contributions	\$ 295,548.19	\$ 268,556.32	\$ 361,120.00	\$ (92,563.68)
Total Cash Receipts	295,548.19	268,556.32	\$ 361,120.00	\$ (92,563.68)
Expenditures				
Instruction	177,534.13	182,893.72	\$ 216,367.00	\$ (33,473.28)
Support Services				
Student Support	13,429.58	12,466.27	16,519.00	(4,052.73)
Instructional Support	16,903.40	13,223.33	20,791.00	(7,567.67)
General Administration	12,863.37	9,296.45	15,821.00	(6,524.55)
School Administration	28,933.28	23,284.14	35,588.00	(12,303.86)
Operations and Maintenance	18,855.76	13,269.30	23,193.00	(9,923.70)
Student Transportation Services	11,321.53	5,336.38	13,926.00	(8,589.62)
Food Service	15,707.14	8,786.73	18,915.00	(10,128.27)
Total Expenditures	295,548.19	268,556.32	\$ 361,120.00	\$ (92,563.68)
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	\$ -	\$ -		

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

CONTINGENCY RESERVE FUND

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2010

(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Operating Transfers from:		
General Fund	<u>\$ 139,500.00</u>	<u>\$ 131,790.73</u>
Total Cash Receipts	<u>139,500.00</u>	<u>131,790.73</u>
Expenditures		
Instruction	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	139,500.00	131,790.73
Unencumbered Cash, Beginning	<u>85,759.14</u>	<u>225,259.14</u>
Unencumbered Cash, Ending	<u>\$ 225,259.14</u>	<u>\$ 357,049.87</u>

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

TEXTBOOK AND STUDENT MATERIAL FUND

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2010

(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Local Sources		
Rental Fees	\$ -	\$ 5,953.92
Total Cash Receipts	-	5,953.92
Expenditures		
Instruction	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	-	5,953.92
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 5,953.92</u>

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

RURAL & SMALL SCHOOL GRANT FUND

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2010

(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Federal Sources		
Federal Grants	\$ 9,333.27	\$ 9,167.01
Total Cash Receipts	<u>9,333.27</u>	<u>9,167.01</u>
Expenditures		
Instruction	<u>9,333.27</u>	<u>9,167.01</u>
Total Expenditures	<u>9,333.27</u>	<u>9,167.01</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

LOWE'S EDUCATION GRANT FUND

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2010

(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources		
Donations	\$ 5,000.00	\$ -
Total Cash Receipts	5,000.00	-
Expenditures		
Support Services		
General Administration	4,953.68	46.32
Total Expenditures	4,953.68	46.32
Receipts Over (Under) Expenditures	46.32	(46.32)
Unencumbered Cash, Beginning	-	46.32
Unencumbered Cash, Ending	\$ 46.32	\$ -

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

TITLE I ARRA FUND

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2010

(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Federal Sources		
Federal Aid	\$ -	\$ 54,275.00
Total Cash Receipts	-	54,275.00
Expenditures		
Instruction	-	54,275.00
Total Expenditures	-	54,275.00
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ -

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

TITLE I FUND

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2010

(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
State Sources		
State Aid	\$ 192,739.00	\$ 186,966.00
Total Cash Receipts	<u>192,739.00</u>	<u>186,966.00</u>
Expenditures		
Instruction	<u>180,341.93</u>	<u>188,385.66</u>
Total Expenditures	<u>180,341.93</u>	<u>188,385.66</u>
Receipts Over (Under) Expenditures	12,397.07	(1,419.66)
Unencumbered Cash, Beginning	<u>-</u>	<u>12,397.07</u>
Unencumbered Cash, Ending	<u>\$ 12,397.07</u>	<u>\$ 10,977.41</u>

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

TITLE II - IMPROVING TEACHER QUALITY FUND

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2010

(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Federal Sources		
Federal Aid	\$ 45,459.00	\$ 45,590.00
Total Cash Receipts	<u>45,459.00</u>	<u>45,590.00</u>
Expenditures		
Instruction	<u>45,459.00</u>	<u>45,590.00</u>
Total Expenditures	<u>45,459.00</u>	<u>45,590.00</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

TITLE II-TECHNOLOGY LITERACY CHALLENGE FUND

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2010

(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Federal Sources		
Federal Aid	\$ 1,842.00	\$ 1,797.00
Total Cash Receipts	<u>1,842.00</u>	<u>1,797.00</u>
Expenditures		
Instruction	<u>1,842.00</u>	<u>1,797.00</u>
Total Expenditures	<u>1,842.00</u>	<u>1,797.00</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

PROJECT CARE FUND

Statement of Cash Receipts and Expenditures - Actual

For the Fiscal Year Ended June 30, 2010

(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Local Sources		
Payments From Parents	\$ 11,559.45	\$ 11,944.50
Payments From SRS	<u>2,098.69</u>	<u>2,697.58</u>
Total Cash Receipts	<u>13,658.14</u>	<u>14,642.08</u>
Expenditures		
Support Services		
Student Support	<u>12,175.52</u>	<u>12,464.16</u>
Total Expenditures	<u>12,175.52</u>	<u>12,464.16</u>
Receipts Over (Under) Expenditures	1,482.62	2,177.92
Unencumbered Cash, Beginning	<u>4,840.20</u>	<u>6,322.82</u>
Unencumbered Cash, Ending	<u>\$ 6,322.82</u>	<u>\$ 8,500.74</u>

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

BOND AND INTEREST FUND

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Fiscal Year Ended June 30, 2010
(With Comparative Actual Amounts for the Year Ended June 30, 2009)

		Current Year		Variance -
	Prior Year Actual	Actual	Budget	Over (Under)
Cash Receipts				
Local Sources				
Ad Valorem Tax	\$ 171,837.05	\$ 105,271.13	\$ 102,109.00	\$ 3,162.13
Delinquent Tax	7,171.98	7,971.43	5,109.00	2,862.43
County Sources				
Motor Vehicle Tax	48,473.77	49,512.27	54,047.00	(4,534.73)
Recreational Vehicle Tax	599.08	506.18	374.00	132.18
16 & 20M Truck	1,512.17	1,752.31	-	1,752.31
Machinery and Equipment Aid	808.20	-	-	-
State Sources				
State Aid	186,045.00	183,859.00	183,859.00	-
Total Cash Receipts	416,447.25	348,872.32	\$ 345,498.00	\$ 3,374.32
Expenditures				
Debt Service				
Principal	180,000.00	185,000.00	\$ 185,000.00	\$ -
Interest	171,027.50	161,902.50	161,903.00	(0.50)
Postage and Commissions	-	-	100.00	(100.00)
Total Expenditures	351,027.50	346,902.50	\$ 347,003.00	\$ (100.50)
Receipts Over (Under) Expenditures	65,419.75	1,969.82		
Unencumbered Cash, Beginning	415,318.36	480,738.11		
Unencumbered Cash, Ending	\$ 480,738.11	\$ 482,707.93		

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

AGENCY FUNDSStatement of Cash Receipts and Cash Disbursements
For the Fiscal Year Ended June 30, 2010

	Beginning Cash Balances	Cash Receipts	Cash Disbursements	Ending Cash Balances
Agency Funds				
Student Organizations				
High School				
Art	\$ 658.69	\$ 15.00	\$ -	\$ 673.69
Band	0.57	-	-	0.57
Business	1,174.64	5.00	-	1,179.64
Drivers Education	1,334.00	-	-	1,334.00
Language Fund	1,910.61	6,584.70	5,175.05	3,320.26
LMC	357.01	71.52	388.51	40.02
Newspaper	650.55	-	-	650.55
Technologies	1,315.51	20.00	1,310.21	25.30
Vocal	629.70	420.10	312.50	737.30
Yearbook	2,200.31	8,800.95	8,689.60	2,311.66
Culinary Arts	182.51	1,569.17	1,148.77	602.91
Football	1,552.00	-	-	1,552.00
Baseball	-	977.00	240.85	736.15
Softball	-	1,070.51	958.59	111.92
Cheerleaders	2,355.16	4,803.17	5,248.41	1,909.92
Class of 2007	143.08	-	143.08	-
Class of 2008	243.29	-	243.29	-
FCCLA	1,241.33	1,355.81	1,446.83	1,150.31
National Honor	137.47	3,662.39	3,303.00	496.86
Student Council	3,074.64	13,043.46	12,807.95	3,310.15
Class of 2009	1,514.38	-	1,514.38	-
Class of 2010	243.40	5,213.31	5,204.84	251.87
Class of 2011	500.00	2,152.95	2,551.76	101.19
FACS Work & Family	84.90	132.41	211.95	5.36
Kays	571.60	6,429.04	5,807.92	1,192.72
Intro to Business	-	2,595.70	2,107.41	488.29
Forensics	254.34	534.83	789.17	-
Class of 2012	1,277.06	-	25.00	1,252.06
Viking Industry	8,514.81	2,618.41	1,720.58	9,412.64
Awards	185.16	-	-	185.16
Scholars Bowl	-	1,645.43	1,374.77	270.66
Class of 2013	500.00	462.84	-	962.84
Class of 2014	-	500.00	-	500.00
Bedene Memorial	3.00	500.00	500.00	3.00

The notes to the financial statements are
an integral part of this statement

Statement 4 (Continued)**UNIFIED SCHOOL DISTRICT #246**

Arma, Kansas

AGENCY FUNDS**Statement of Cash Receipts and Cash Disbursements**

For the Fiscal Year Ended June 30, 2010

	Beginning Cash Balances	Cash Receipts	Cash Disbursements	Ending Cash Balances
Agency Funds				
Student Organizations				
High School (Continued)				
Grad Classes	\$ 1,826.30	\$ 1,900.75	\$ 3,044.20	\$ 682.85
Hutchison Memorial	104.73	-	-	104.73
Martin Scholarships	578.71	-	200.00	378.71
Respect Committ	8.35	-	-	8.35
Revolving	1,002.49	453.47	1,023.38	432.58
Burnick Scholarship	-	180.00	-	180.00
Simone Memorial	1,000.00	1,000.00	1,000.00	1,000.00
Sherri Collier	-	670.00	-	670.00
Kay's Scholarship	-	400.00	400.00	-
Middle School				
Sales Tax	-	438.34	350.62	87.72
Yearbook	4,067.60	3,949.29	4,017.94	3,998.95
Cheerleaders	480.19	2,030.50	1,993.46	517.23
Cheer Uniforms	-	431.00	-	431.00
8th Grade	2,011.84	-	2,011.84	-
Library	295.94	-	-	295.94
Band	28.12	-	-	28.12
Book Orders	0.45	13.00	13.00	0.45
Business 6/7	3.80	805.05	793.15	15.70
Youth Friends	688.00	-	-	688.00
Box Tops for Ed	636.51	-	-	636.51
Revolving	579.74	154.01	-	733.75
Schaub Wal-Mart	142.60	-	-	142.60
Student Incentive	200.00	110.00	301.85	8.15
Totals	<u>\$ 46,465.09</u>	<u>\$ 77,719.11</u>	<u>\$ 78,373.86</u>	<u>\$ 45,810.34</u>

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

DISTRICT ACTIVITY FUNDS

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Fiscal Year Ended June 30, 2010

Funds	Beginning Unencumbered Cash Balances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balances	Plus		Ending Cash Balances June 30, 2009
					Encumbrances and Accounts Payable	2010	
Gate Receipts							
High School	\$ 4,966.13	\$ 17,387.33	\$ 19,391.81	\$ 2,961.65	\$ 728.15	\$ 3,689.80	\$ 4,966.13
Middle School	4,714.56	5,065.47	5,483.94	4,296.09	-	4,296.09	4,714.56
Sub-Total Gate Receipts	9,680.69	22,452.80	24,875.75	7,257.74	728.15	7,985.89	9,680.69
Special Projects							
Class Fees	108.24	6,090.00	6,198.24	-	-	-	108.24
Sub-Total Special Projects	108.24	6,090.00	6,198.24	-	-	-	108.24
Total District Activity Funds	\$ 9,788.93	\$ 28,542.80	\$ 31,073.99	\$ 7,257.74	\$ 728.15	\$ 7,985.89	\$ 9,788.93

The notes to the financial statements are
an integral part of this statement

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Unified School District #246 (the 'District'), Arma, Kansas, have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies follow. Note 1 describes how the District's accounting policies differ from accounting principles generally accepted in the United States of America.

Reporting Entity

The District is a municipal corporation governed by an elected seven-member board. The District has developed criteria to determine whether outside agencies, with activities which benefit the members of the District, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises oversight responsibility or financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service and special financing relationships. Based on the above criteria, the District has determined that no outside agency meets the criteria; therefore, no outside agency has been included as a component unit in these financial statements.

Basis of Presentation - Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the Unified School District #246:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the principal fund of the District which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the District, other than proprietary fund activities, are financed through revenues received by the General Fund.

Special Revenue Funds – These funds are used to account for revenues derived from specific taxes, governmental grants or other revenue sources which are designated to finance particular functions or activities of the District.

Debt Service Fund – The Bond and Interest Fund is used to account for payment of principal and interest on the District's general obligation bonds which are recorded in the general long-term debt group of accounts. Revenues for this purpose include ad valorem property taxes, special assessment taxes, and investment interest income.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)
Basis of Presentation - Fund Accounting (Continued)

Capital Project Funds - The Capital Project Funds account for capital improvements (except for those financed by proprietary funds) which are financed from the District's general obligation bond issues, special assessments, certain federal grants and other specific receipts.

FIDUCIARY FUNDS

Agency Funds - to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Expendable Trust Funds - These funds account for funds held in trust for others. The funds are accounted for in essentially the same manner as governmental funds.

Basis of Presentation - Statutory Basis of Accounting

The statutory basis of accounting, as used in preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving the cash from another fund, and an expenditure would be charged in the fund from which the transfer is made. The District has chosen to follow K.S.A. 72-6417 and K.S.A. 72-6434, which requires the District to record any payment of general state aid that is due to be paid during the month of June, and is paid to the school district after June 30, as a receipt for the school year ending June 30, 2010.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the statutory basis of accounting.

Departures from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the District are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property.

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than as revenues. In the financial statements and budget comparisons presented in this report, reimbursements and refunds are recorded as revenues. The reimbursements are recorded as cash receipts when received by the District Treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

Pension Plan

Substantially all full-time District employees are members of the State of Kansas Public Employees Retirement System which is a multi-employer state-wide pension plan. The District's policy is the State of Kansas will fund all pension costs accrued; such costs to be funded are actuarially determined annually by the State.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding fiscal year on or before August 1.
2. Publication in the local newspaper of the proposed budget and a notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after the publication of a notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The District had no such amendments during the year, however, the General Fund budget was decreased to the legal maximum budget based upon final enrollment numbers lower than originally budgeted.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the cash basis of accounting, modified further by the recording of accounts payable and encumbrances. Revenues are recognized when cash is received. Expenditures include cash disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments of the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for fiduciary funds and certain special revenue funds.

Spending in funds, which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

Compliance with Kansas Statutes

Statements 1 and 2 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statements 1, the District was in compliance with Kansas cash basis laws. As shown in statement 2, the District was in apparent violation of K.S.A. 79-2935, as the District has obligated expenditures in excess of budgeted limits in the K-12 At-Risk Fund.

3. DEPOSITS AND INVESTMENTS

K.S.A 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main branch or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the bank provides an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

3. **DEPOSITS AND INVESTMENTS** (Continued)

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka.

At year-end, the District's carrying amount of deposits was \$2,655,884.18 and the bank balance was \$2,262,611.17. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$253,569.25 was covered by FDIC insurance, \$1,957,884.20 was collateralized with securities held by the pledging financial institutions' agents in the District's name, and \$51,157.72 was unsecured at year end.

4. **CAPITAL LEASE OBLIGATIONS**

The District has entered into a capital lease agreement in order to finance the acquisition of and installation of an energy management system. Payments are made of \$59,012.94 annually, including interest at 5.00%. Final maturity of the lease is December 12, 2020. Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	<u>Totals</u>
2011	\$ 59,012.94
2012	59,012.94
2013	59,012.94
2014	59,012.94
2015	59,012.94
2016-2020	295,064.70
2021	<u>59,012.94</u>
Total Payments from District	649,142.34
Less imputed interest	<u>(157,329.75)</u>
Net Present Value of Minimum Lease Payments	491,812.59
Less: Current Maturities	<u>(34,503.71)</u>
Long-Term Capital Lease Obligations	<u>\$ 457,308.88</u>

5. **OPERATING LEASES**

As of June 30, 2010 the District has entered into a number of operating leases for various office equipment. Total payments for the year ended June 30, 2010 was \$33,430.32. Under the current lease agreements, the future minimum lease rentals are as follows:

2011	\$ 33,430.32
2012	33,430.32
2013	33,319.32
2014	8,024.58

6. LONG-TERM DEBT

Changes in long-term debt for the District for the year ended June 30, 2010, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balances Beginning of Year	Additions/ New Debt	Reductions/ Principal Paid	Net Change	Balances End of Year	Interest Paid
General Obligation Bonds Series 2002-A	5.50%	5/1/2002	\$ 4,299,000.00	9/1/2022	\$ 3,585,000.00	\$ -	\$ 185,000.00		\$ 3,400,000.00	\$ 161,902.50
Capital Leases Energy System	5.00%	12/12/2005	612,533.00	12/12/2020	524,673.27	-	32,860.68		491,812.59	26,152.26
Total Scheduled Long-Term Debt					4,109,673.27	-	217,860.68	-	3,891,812.59	188,054.76
Other Long-Term Debt										
General Accrued Compensated Absences Vacation Pay	N/A	N/A	N/A	N/A	17,698.84			(971.41)	16,727.43	N/A
Total Long-Term Debt					\$ 4,127,372.11	\$ -	\$ 217,860.68	\$ (971.41)	\$ 3,908,540.02	\$ 188,054.76

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity is as follows:

Issue	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016-2020	June 30, 2021-2024	Totals
Principal								
General Obligation Bonds Series 2002-A	\$ 195,000.00	\$ 205,000.00	\$ 215,000.00	\$ 225,000.00	\$ 235,000.00	\$ 1,340,000.00	\$ 985,000.00	\$ 3,400,000.00
Capital Leases Energy System	34,503.71	36,228.90	38,040.34	39,942.36	41,939.48	243,329.20	57,828.60	491,812.59
Total Principal	229,503.71	241,228.90	253,040.34	264,942.36	276,939.48	1,583,329.20	1,042,828.60	3,891,812.59
Interest								
General Obligation Bonds Series 2002-A	153,377.50	145,275.00	136,503.75	127,097.50	117,090.00	527,855.00	75,625.00	1,282,823.75
Capital Leases Energy System	24,509.23	22,784.04	20,972.60	19,070.58	17,073.46	51,735.50	1,184.34	157,329.75
Total Interest	177,886.73	168,059.04	157,476.35	146,168.08	134,163.46	579,590.50	76,809.34	1,440,153.50
Total Principal and Interest	\$ 407,390.44	\$ 409,287.94	\$ 410,516.69	\$ 411,110.44	\$ 411,102.94	\$ 2,162,919.70	\$ 1,119,637.94	\$ 5,331,966.09

7. DEFINED BENEFIT PENSION PLAN

Plan description. The District contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. State law sets a limitation on annual increases in the employer contribution rates. As of June 30, 2010, the State of Kansas contributes 8.57% of covered payroll. Kansas' contributions to KPERS for school municipality employees for the years ending June 30, 2010, 2009, and 2008 were \$248,268,186, \$242,277,363, and \$220,815,154, respectively, equal to the statutory required contributions for each year.

8. COMPENSATED ABSENCES

Vacation

Only twelve month employees are eligible for the vacation fringe benefit. Earned vacation days are awarded every July 1. Employees receive vacation on the following schedule:

After one year of service	2 weeks per year
After ten years of service	3 weeks per year
After fifteen years of service	4 weeks per year

Vacation may not accrue beyond 40 days if hired before July 1, 2008. Any employee hired after July 1, 2008 may not accrue beyond 15 days.

Sick Leave

Full time twelve month employees are entitled to sick leave at a rate of twelve days per year, with a maximum accumulation of sixty days. Part-time classified employees shall be entitled to sick leave of ten days per year with a maximum accumulation of fifty days. Sick leave above the maximum accumulation remaining at the end of a school year will be paid for at the rate of \$30.00 per day. Sick leave is lost upon termination.

The District accrues a liability for compensated absences which meet the following criteria:

- 1) The District's obligation relating to employees' rights to receive compensation for future absences is attributed to employee's services already rendered.
- 2) The obligation relates to rights that vest or accumulate.
- 3) Payment of the compensation is probable.
- 4) The amount can be reasonably estimated.

In accordance with the above criteria, the District has accrued a liability for vacation benefits in footnote 6, and not accrued a liability for sick pay which has been earned, but not taken by District employees, inasmuch as the amount cannot be reasonably estimated.

9. OTHER POST EMPLOYMENT BENEFITS

Pursuant to the negotiated agreement, the District continued its early retirement plan. In general, the plan allows a person who has been employed by the District as a full time teacher for the ten most recent consecutive academic years, and who has reached or will reach the age of 53 prior to September 1, the option to retire on or before September 1 at age 53. Benefits which are provided are as follows: 1) paid sick leave up to restrictions as specified in the current negotiated agreement between the district and its employees, 2) a percentage of the last regular salary until the date he or she reaches the age of 65, and 3) \$200.00 per month towards group health insurance until the month in which such person reaches the age of 65. These benefits are paid monthly to the employee that has elected retirement. Upon death of a retiree all provisions will terminate.

The following is a schedule of benefits paid and payable for eligible employees which have taken early retirement as of June 30, 2010:

<u>Year Ending June 30</u>	<u>Amount</u>	<u>Number of Participants</u>
2010	\$ 160,588.00	21
2011	138,077.00	18
2012	135,517.00	18
2013	134,416.00	19
2014	99,687.00	16
2015	106,643.00	16
2016-2034	975,579.00	various

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the district under this program.

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The District manages these risks of loss through the purchase of various insurance policies.

11. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government and state grantors. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

12. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	K-12 At-Risk	K.S.A. 72-6428	\$ 750,000.00
General	Special Education	K.S.A. 72-6428	551,532.73
General	Contingency Reserve	K.S.A. 72-6428	131,790.73
Supplemental General	Food Service	K.S.A. 72-6428	88,000.00
Supplemental General	Professional Development	K.S.A. 72-6428	20,000.00
Supplemental General	Special Education	K.S.A. 72-6428	82,464.66
Supplemental General	Vocational Education	K.S.A. 72-6428	142,100.54
Supplemental General	4 Year Old At-Risk	K.S.A. 72-6428	33,589.00
Supplemental General	K-12 At-Risk	K.S.A. 72-6428	3,100.00

13. SUBSEQUENT EVENTS

The District evaluated events and transactions occurring subsequent to June 30, 2010, through December 29, 2010, the date the financial statements were available to be issued. During this period, there were no subsequent events requiring recognition in the financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

FEDERAL COMPLIANCE SECTION

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2010

Federal Grantor / Pass Through Grantor / Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Cash Receipts	Disbursements/ Expenditures
U.S. DEPARTMENT OF EDUCATION				
Direct Grant				
Small, Rural School Achievement Program	N/A	84.358a	\$ 9,167.01	\$ 13,252.78
Passed through the Kansas Department of Education				
Title I Part A Cluster				
Title I Grant	DO246	84.010	186,966.00	188,385.63
Title I Grant - ARRA	DO246	84.389	54,275.00	54,275.00
	Total Title I Part A Cluster (M)		241,241.00	242,660.63
Education Technology State Grants	DO246	84.318	1,797.00	1,797.00
Improving Teacher Quality State Grants	DO246	84.367	45,590.00	45,590.00
State Fiscal Stabilization Funds	DO246	84.394	433,577.00	433,577.00
			(M)	
Total U.S. Department of Education			731,372.01	736,877.41
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Kansas Department of Education				
Child USDA Nutrition Cluster:				
National School Lunch Program	DO246	10.555	176,153.03	176,153.03
School Breakfast Program	DO246	10.553	65,347.00	65,347.00
Total Child USDA Nutrition Cluster:			241,500.03	241,500.03
Fresh Fruits and Vegetables Program	DO246	10.582	23,880.84	23,880.84
Total U.S. Department of Agriculture			265,380.87	265,380.87
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through the Kansas Department of Education				
Emergency Food and Shelter Program	DO246	97.042	750.00	750.00
Total U.S. Department of Homeland Security			750.00	750.00
TOTAL FEDERAL AWARDS			\$ 997,502.88	\$ 1,003,008.28

Not federal

Note to the Schedule of Expenditures of Federal Awards:

Federal expenditures are recorded on the accrual basis of accounting, which records expenses when the goods or services are received, and not necessarily when paid.
(M) = Major Program

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
Unified School District #246
Arma, Kansas

We have audited the financial statements of the Unified School District #246, Arma, Kansas, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Unified School District #246's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Unified School District #246's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Unified School District #246's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unified School District #246's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Education, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

December 29, 2010
Chanute, Kansas

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Unified School District #246
Arma, Kansas

Compliance

We have audited the Unified School District #246, Arma, Kansas for the types of compliance requirements described in the "OMB Circular A-133 Compliance Supplement" that could have a direct and material effect on each of Unified School District #246's major federal programs for the year ended June 30, 2010. Unified School District #246's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Unified School District #246's management. Our responsibility is to express an opinion on Unified Schools District #246's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Unified School District #246's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Unified School District #246's compliance with those requirements.

In our opinion, Unified School District #246, Arma, Kansas, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Unified School District #246 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Unified School District #246's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Unified School District #246's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Education, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

December 29, 2010
Chanute, Kansas

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2010

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

The auditors' report expresses an unqualified opinion on the statutory basis financial statements of Unified School District #246, Arma, Kansas.

Internal Control over Financial Reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be a material weaknesses? _____ Yes X No

Noncompliance or other matters required to be reported under *Government Auditing Standards* _____ Yes X No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be a material weaknesses? _____ Yes X No

The auditors' report on compliance for the major federal award programs for Unified School District #246, Arma, Kansas expresses an unqualified opinion.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major programs:

U.S. DEPARTMENT OF EDUCATION

Title I – Part A Cluster:

Title I Grants to Local Educational Agencies – CFDA No. 84.010

Title I Grants to Local Educational Agencies – ARRA – CFDA No. 84.389

State Fiscal Stabilization Funds – ARRA – CFDA No. 84.394

The threshold for distinguishing Types A and B programs was \$300,000.00.

Auditee qualified as a low risk auditee? _____ Yes X No

II. FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

UNIFIED SCHOOL DISTRICT #246
Arma, Kansas

Schedule of Findings and Questioned Costs
(Continued)
For the Year Ended June 30, 2010

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

U.S. DEPARTMENT OF EDUCATION

Title I - Part A Cluster:

Title I Grants to Local Educational Agencies - CFDA No. 84.010

Title I Grants to Local Educational Agencies - ARRA - CFDA No. 84.389

State Fiscal Stabilization Funds - ARRA - CFDA No. 84.394

Questioned
Costs

None

None

None

UNIFIED SCHOOL DISTRICT #246

Arma, Kansas

**Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2010**

None